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Casey Lighting a Fire Under the Burnt-Out CIA but Problems Persist

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WASHINGTON—Despite an arrogant manner and a tendency to mumble, CIA Director William J. Casey has come a long way, even his critics concede, in restoring morale at the once badly shattered Central Intelligence Agency.

And spending for U.S. intelligence activities has been increased 10%, even though American agents overseas have not exactly been "unleashed" as President Reagan promised during the 1980 election campaign.

U.S. agents conducted about 10 undercover operations in the final year of Jimmy Carter's Administration, the same number as are now in progress.

"There is certainly more enthusiasm for (intelligence) operations now," one official said. "But they are limited by budget constraints, congressional oversight and the fact that this Administration does not yet have a coherent foreign policy which covert operations would be used to support."

"When they get their policy act together," this official predicted, "there will probably be more operations. The Carter Administration needed a moral rationale for such things. Until Afghanistan, they had none and there were virtually no clandestine activities for the first three Carter years."

Excuses Not Needed

"They saw the Soviet invasion as immoral, so gun-running (of Soviet-made arms from Egypt) to the Afghan rebels was justified. These (Reagan) people don't need such excuses," the official said.

But even as Casey and Reagan have moved to reinvigorate the nation's intelligence agencies, new problems have cropped up and some lingering, old problems have taken on new twists. For instance:

—The sordid "gun for hire" exploits of such former Central Intelligence agents as Edwin P. Wilson, who is accused of exporting terrorist equipment to Libya, have raised questions about the activities of CIA men once they leave the agency, especially those who use expertise gained in the secret government

revived speculation about Russian "moles" inside U.S. intelligence agencies.

—The leaking of U.S. secrets to the press, although greatly reduced, has yet to be stopped.

The most recent case of leaked secrets found White House "hard-liners" pitted against CIA "liberals," reversing past patterns, amid almost comic confusion.

The case involved a CIA plan, approved by the White House, to provide several hundred thousand dollars to political activists in Mauritania, an Arab country in northwestern Africa, to counter money funneled to Mauritania by Libya. It was laid before the House and Senate Intelligence committees in June.

House Democrats objected to the operation and wrote a rare letter of protest to Reagan, whereupon the proposal was killed.

Existence of the letter was leaked a month later by White House officials, sources said, in an attempt to embarrass CIA leaders, including Casey and Deputy CIA Director Bobby R. Inman, who opposed efforts to give the CIA domestic spying authority.

The White House officials, led by Richard V. Allen, national security adviser to the President, have pushed for a "stronger" executive order to the intelligence agencies to satisfy the "unleashing" promises made in the campaign and to improve U.S. counterintelligence capabilities.

The comic aspects then began. A Democrat on the House Intelligence Committee, based on second-hand knowledge, told a reporter the CIA plan was aimed at overthrowing, perhaps even assassinating, Libya's Moammar Kadafi. A White House official told a reporter, wrongly, that the target country was Mauritius, which is a black southeast African country. The correct country then was identified to calm the infuriated citizens of Mauritius.

"We shot ourselves in the foot with three countries over a plan that was never approved," one intelligence officer complained. "The KGB must still be laughing."

Radical changes in the executive order covering intelligence agencies, which White House officials sought, will apparently not be made. Most intelligence community officials oppose giving the CIA authority to infiltrate foreign-dominated domestic organizations, both on the principle that such work is better done by the FBI and because getting the CIA into the "domestic spying business" resurrects old fears about the agency for too little prospective gain.

Moreover, the FBI's counterintelligence division "does not need any unleashing," a senior FBI official said. "We have all the scope and range of authority we need to perform our mission." He also implied that he thought the FBI did not need any help from the CIA in its work.

Among congressmen on record against such moves are all the members of the Senate Intelligence Committee, both Republicans and Democrats. As Sen. Malcolm Wallop (R-Wyo.), put it, Reagan will be "pilloried" if he exposes "law-abiding Americans to CIA scrutiny."

Concerns of Congress

At least one more draft of a Reagan executive order for the CIA, which is intended to replace the 1976 order issued by Carter, is being written "to reflect the concerns of Congress," according to senior intelligence officials. Its release is expected within a few weeks.

Casey must take some blame for the controversy. Although he backed the intelligence community's view against the White House in the end, he long failed to heed warnings that Congress was not prepared to loosen the reins very much on intelligence activities.

This was part of Casey's larger failure to take Congress seriously during his first six months on the job, congressional and other sources said. He usually sent Inman, a congressional favorite and highly respected professional intelligence officer, to explain his policies to the lawmakers.

"It was a mistake to rely too

much on Inman," a senator said. "We wanted to hear from the top man, to understand the basis of his policies. To send Inman to defend his (Casey's) policies was not being wholly responsive to us."

Another mistake almost cost Casey his job. This was the appointment of a political friend, Max Hugel, as his director of operations, or top CIA "spymaster." Hugel had virtually no experience in intelligence work. He was a businessman and Casey reportedly wanted to repair the CIA's ties to international corporations, which in the past had provided CIA agents with "cover" and even logistical support.

However, CIA professionals were upset with Hugel's selection because of his lack of qualifications and because it politicized the third layer in the CIA—after the director and deputy director—for the first time. It is widely believed that retired CIA men, who maintain close touch with old colleagues still on duty, contributed greatly to the effort that led to Hugel's abrupt departure.

Two former business associates of Hugel, Thomas McNell and his brother Samuel, reportedly were the source of news stories charging that Hugel had engaged in illegal stock trading practices between 1954 and 1975. Hugel denied the charges but resigned within hours of their publication.

Casey's financial past raised senatorial questions and resulted in an investigation by the Senate Intelligence Committee, spurred by calls for his resignation. The committee has found no irregularities, according to its members.

Casey has other defects as a public official. Now 68 years old, he is a "mumbler" by his own admission. He also can be vague and imprecise on details, and once maintained that the Soviets had 2,000 agents in a Central American country when the total was "plain wrong, nowhere near that number," one official said.

Casey can be hostile and arrogant with the press. He has virtually shut down the CIA to reporters. "Who elected you to tell the American people what they should know?" he once demanded of a critical newsmen. "When we think the American people ought to know something, we'll tell them."

But as the first director of Central Intelligence with Cabinet rank, and thanks to his personal rapport with Reagan ("I still call him Ronnie," he has said), Casey has significantly increased the intelligence community's

domestic policy, according to several senior officials.

"My impression is that because of his access, he gets in earlier on issues," one official said. "He attends all Cabinet and National Security Council meetings."

Casey has won and retained budget increases almost as large as those of the Defense Department when all other federal budgets are falling. This year's intelligence community funds have risen to the 1973 level after consideration for inflation—which is a measure of the deterioration of the community during the last decade.

"You can't rebuild capabilities overnight," a senior official said. "How long does it take to learn a foreign language fluently? To turn a physicist into a technical analyst? We need three to five years before we can be satisfied."

Under Casey, too, relations between the CIA and its sister agencies in the intelligence community are better than they have ever been, according to officials who were interviewed. This includes relations with the Defense Intelligence Agency and other Pentagon offices that are jealous of the technical spy systems they operate; with the FBI's counterintelligence division; with the National Security Agency and with the intelligence and research division of the State Department, whose political and economic officials in distant embassies provide the bulk of the human intelligence reporting.

Casey achieves this in part by dealing directly with Cabinet officers, such as the secretaries of state and defense, rather than with their intelligence chiefs, as former CIA Director Stansfield Turner often did.

The activities of former CIA agent Wilson, who has made millions of dollars by selling his expertise in fields from explosives to creating phony corporate "fronts," has raised questions about the links he has maintained to current senior CIA employees. It has been suggested that his activities were tacitly sanctioned in hopes of personal gain or obtaining intelligence about Libya or other Arab countries.

Last week, in a highly unusual statement, the CIA denied any "official involvement" by the agency in the activities of Wilson and ex-agent Francis E. Terpil. It had concluded an internal investigation of the case, the CIA said, and had cooperated with congressional and law enforcement investigators.

There also is the possibility that U.S. intelligence agencies have been penetrated by Soviet agents. Wilson at one point reportedly tried to buy a U.S. computer program for electronic intelligence gathering and reconnaissance for resale to the Soviets.

In addition, a former CIA man confessed to selling secrets to the KGB, a former CIA guard sold the Soviets highly sensitive data about a U.S. spy satellite and two employees of a CIA contractor sold secret satellite information to the Soviets as well.

CIA officials once boasted that, unlike the KGB, no agency man had ever turned traitor. Now they say that no CIA man has turned traitor for ideology, only for money, in contrast to the main reason for Soviet defections. More broadly, fears are being revived that the CIA has been penetrated either by Americans who have sold out or by KGB men who are so professional that they have not been caught.

Some conservatives even believe the CIA is now so totally penetrated that "revitalizing the agency, instead of starting a new one, would only strengthen the possible KGB penetrators," according to Arnold Beichman, author of an article in Policy Review.

But a senior FBI counterintelligence official said he doubted that there has been large scale penetration of the CIA or FBI by KGB "moles" as there was in the British secret services several decades ago.

"We have much more sophisticated procedures, including polygraph (lie detector) tests, than they had in prewar and wartime Britain," the official said. "We and the CIA know we're high priority targets for the Soviets, who have a very good service."

"I'm not saying we're immune from some guy going bad. But one of the tests of whether there are 'moles' is how successful our own operations are. If you have a good record, if none are aborted, it's an indication that you aren't penetrated, at least at a high level. We have had a high success rate."